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INDEPENDENT AUDITOR'S REPORT



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**Independent Auditor's Report on
the Primary Government Financial
Statements and Supplementary Schedule
of Expenditures of Federal Awards**

Members of the Board of Supervisors
Jackson County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Jackson County, Mississippi, as of and for the year ended September 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Jackson County, Mississippi's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the county's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The county has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component units, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Jackson County, Mississippi, as of September 30, 2007, or the changes in financial position thereof for the year then ended.

**Report on the Primary Government Financial Statements
and Supplementary Schedule of Expenditures of Federal Awards
Page 2**

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of Jackson County, Mississippi, as of September 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2009, on our consideration of Jackson County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison Schedules on pages 5 through 14 and 55 through 56 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jackson County, Mississippi's basic financial statements. The Required Supplementary Information section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Jackson County, Mississippi. A substantial portion of the Schedule of Expenditures of Federal Awards has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on them. The Required Supplementary Information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on them.

Wolfe McDuff #Opie

Pascagoula, Mississippi
January 5, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

JACKSON COUNTY, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2007

INTRODUCTION

The discussion and analysis of Jackson County's (the County's) financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2007. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

This discussion and analysis is an element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 - Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments". Certain comparative information between the current year and the prior year is required to be presented.

Jackson County is located in southeastern Mississippi along the Mississippi Gulf Coast. The population, according to the 2000 census, is 131,420. The local economic base is driven mainly by Industrial Manufacturing.

FINANCIAL HIGHLIGHTS

Jackson County is financially stable. The County has committed itself to financial excellence for many years by using sound financial planning, budgeting and strong internal controls. The County is committed to maintaining sound fiscal management to meet the challenges of the future.

On August 29, 2005, Hurricane Katrina struck the Mississippi, Louisiana, and Alabama Gulf Coast, causing catastrophic damage to the entire region. In addition to extensive damage to private property in Jackson County, a substantial amount of the County's property was damaged or destroyed. As of the date of this writing, the submitted cost estimate to the Federal Emergency Management Agency totals more than \$65 million. It is still expected that most of the losses will be reimbursed through Federal or State grants. We have not determined the ultimate amount of cost to be absorbed by the County, but expect it to be in excess of \$1.5 million.

Even after the Hurricane Katrina disaster, Jackson County continues to grow both economically and in population. Although the assessments for real property decreased immediately after the storm, all other assessments increased, and this has offset the losses to assessed valuation immediately after the storm. This has allowed the County to maintain a slight growth in tax revenues without a tax increase for the fiscal years 2006 and 2007. For fiscal year 2008, there is an increase in real property and personal property assessed valuation, which should provide enough growth in tax revenues to preclude a tax increase.

- In 2007 and 2006, the County's total net assets amounted to \$78,484,607 and 61,534,381, respectively. While the net assets for governmental activities totaled \$77,192,639 in 2007 and \$60,544,770 in 2006, contributing to 98% of total net assets for both years; business-type activities contributed 2% for both years, totaling \$1,291,968 in 2007 and \$989,611 in 2006. Total net assets increased by \$16,950,226 in 2007, which represents a 28% increase from the prior fiscal year.
- The County's ending balance for cash was \$45,522,642 for 2007 and \$46,043,486 for 2006. The decrease of \$520,844 from fiscal year 2006 to 2007 represented a 1% change.

JACKSON COUNTY, MISSISSIPPI
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- General revenues for 2007 and 2006 were \$67,922,383 and \$63,692,723, equaling 81% and 52% of all revenues, respectively. Program specific revenues in the form of charges for services and grants and contributions for 2007 and 2006 were \$21,659,225 and \$57,151,046, respectively, equaling 19% and 48% of total revenues.
- In 2007 and 2006, the County had \$69,928,207 and \$111,961,219 in expenses, respectively; only \$21,659,225 and \$57,151,046 of these expenses were offset by program specific charges for services, grants and contributions.
- Capital assets, net of accumulated depreciation, totaled \$94,702,258 in 2007 and \$79,996,739 in 2006. This was an increase of \$14,705,519.
- The County had \$88,942,807 in total Governmental Funds revenues. Property tax revenues accounted for \$56,478,955 or 64% of total revenues. Intergovernmental revenues in the form of reimbursements, shared revenue or grants, accounted for \$19,803,459 or 22% of total revenues.
- The County had \$69,071,223 in total Governmental Funds expenditures, which represents a decrease of \$42,113,739 or 62%, from the prior fiscal year. Expenditures in the amount of \$21,033,513 were offset by grants or outside contributions. General revenues helped to provide \$67,909,294 of the remaining expenditures.
- Among major funds, the General Fund had \$45,178,547 in revenues and \$40,593,459 in expenditures. The fund balance of the General Fund increased \$1,697,589 over the prior year.
- Among major funds, the Roads Fund had \$13,162,566 in revenues and \$15,979,269 in expenditures. The fund balance of the Roads Fund decreased by \$930,001.
- In 2007 and 2006, the County had \$61,592,108 and \$64,776,292 of long-term debt, respectively. The decrease of \$3,184,184 was primarily due to principal payments being made on debt in the amount of \$6,383,433 and \$3,500,000 of additional debt incurred. Additional debt incurred included \$3,500,000 of Community Disaster Loans.

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OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) primary government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

Figure 1 - Required Components of the County's Annual Report

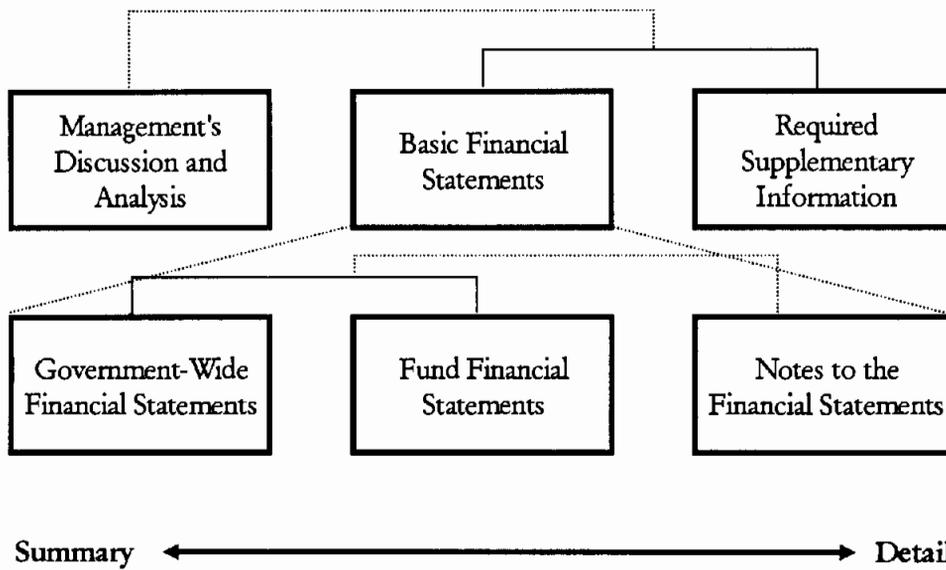


Figure 1 shows how required parts of this annual report are arranged and related to one another

JACKSON COUNTY, MISSISSIPPI
Management's Discussion and Analysis
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Figure 2 summarizes the major features of the County's financial statements, including the portion of the County's government they cover and the types of information they contain. The remainder of this section of Management's Discussion and Analysis explains the structure and content of each of the statements.

Figure 2 - Major Features of the County's Primary Government-Wide and Fund Financial Statements

	Primary Government-Wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds)	All activities of the County that are not business-type or fiduciary in nature	Activities of the County that operate similar to private businesses	The County is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital and short and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short and long term	All assets and liabilities, both short and long term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

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Management's Discussion and Analysis
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Primary Government-wide Financial Statements. The primary government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to private-sector businesses. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The **statement of net assets** presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The **statement of activities** presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

Both of these primary government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government; public safety; public works (roads and bridges); health and welfare; culture and recreation; education; economic development; and interest on long-term debt. The business-type activities of the County include Whispering Pines Golf Course, Ocean Springs Harbor, ADC Canteen and Heinz Building.

The statements presented herein are primary government-wide financial statements only and component units are not included.

The primary government-wide financial statements can be found on pages 16 & 17 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into the following three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions as those reported as governmental activities in the primary government-wide financial statements. However, unlike the primary government-wide financial statements, governmental funds financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's short-term financing requirements. Governmental funds include the general, special revenue, debt service, and capital projects funds.

Because the focus of governmental funds is narrower than that of the primary government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the primary government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 20 and 22, respectively.

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The County maintains individual governmental funds in accordance with the *Mississippi County Financial Accounting Manual* issued by the Mississippi Office of the State Auditor. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds. The basic governmental funds financial statements can be found on pages 19 & 21 of this report.

Proprietary funds are maintained two ways. Enterprise funds are used to report the same functions presented as business-type activities in the primary government-wide financial statement. The County uses enterprise funds to account for Whispering Pines Golf Course, Ocean Springs Harbor, ADC Canteen, and Heinz Building. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its self-insured Health Insurance program. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the primary government-wide financial statements. Fund financial statements for the proprietary funds provide the same type of information as the primary government-wide financial statements, only in more detail. Data from the other enterprise funds are combined into a single, aggregated presentation. The County's internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. The proprietary funds financial statements can be found on pages 23-25 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the primary government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Assets and Liabilities, which can be found on page 26 of this report.

Notes to the financial statements provide additional information that is essential to a thorough understanding of the data provided in the primary government-wide and fund financial statements. The notes can be found on pages 27-52 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents **Required Supplementary Information** concerning the County's budget process.

The County adopts an annual operating budget for all governmental funds. A Budgetary Comparison Schedule has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 55-56 of this report.

Additionally, a Schedule of Expenditures of Federal Awards is required by OMB Circular A-133 and can be found on page 61-62 of this report.

PRIMARY GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets - Net assets may serve over time as a useful indicator of a government's financial position. In the case of Jackson County, assets exceeded liabilities by \$78,484,607 as of September 30, 2007.

JACKSON COUNTY, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2007

By far, the largest portion of the County's net assets reflects its investment in capital assets (e.g. roads, bridges, land buildings, mobile equipment, furniture & equipment, leased property under capital lease and construction in progress) less related outstanding debt used to acquire such assets. The County uses these capital assets to provide services to its citizens.

The County's financial position is a product of several financial transactions, including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the County's net assets for the fiscal year ended September 30, 2007.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Current assets	\$ 96,924,172	359,349
Capital assets, net	94,702,258	1,019,901
Total assets	<u>191,626,430</u>	<u>1,379,250</u>
Current liabilities	52,841,683	52,769
Long-term debt outstanding	61,592,108	34,513
Total liabilities	<u>114,433,791</u>	<u>87,282</u>
Net assets:		
Invested in capital assets, net of related debt	67,323,499	1,017,813
Restricted	10,916,826	2,109
Unrestricted	(1,047,686)	272,046
Total net assets	<u>\$ 77,192,639</u>	<u>1,291,968</u>

JACKSON COUNTY, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2007

Changes in Net Assets - Jackson County's total revenues for the fiscal year ended September 30, 2007, was \$89,581,608. The total cost for all services provided was \$69,928,207. The increase in net assets was \$19,653,401. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2007.

	<u>Amount</u>
Revenues:	
Program revenues	
Charges for services	\$ 5,518,416
Operating grants and contributions	15,503,439
Capital grants and contributions	637,370
General revenues	
Property taxes	56,478,955
Road and bridge privilege taxes	1,766,068
Grants and contributions, unrestricted	3,662,799
Interest income	2,066,331
Miscellaneous	3,948,230
Transfers	-
Total Revenues & Transfers	\$ 89,581,608
Expenses:	
General government	\$ 32,376,324
Public safety	13,652,817
Public works	13,378,044
Health and welfare	2,321,084
Culture and recreation	2,386,790
Education	872,137
Conservation of natural resources	269,426
Economic development	1,522,619
Interest on long-term debt	2,291,982
Other expenses	856,984
Total Expenses	69,928,207
Increase in Net Assets	\$ 19,653,401

JACKSON COUNTY, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2007

Governmental Activities – The following table presents the cost of five major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare and Economic Development.

The table also shows each function's net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity). The net cost shows the financial burden that was placed on Jackson County's taxpayers by each of these functions.

	Total Cost	Net Cost
<u>Governmental activities:</u>		
General Government	\$ 32,376,324	28,068,645
Public Safety	13,652,817	10,107,661
Public Works	13,378,044	4,756,169
Health & Welfare	2,321,084	2,068,364
Economic Development	1,522,619	1,784,110

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental funds – At the close of the fiscal year, Jackson County's governmental funds reported a combined fund balance of \$42,862,371, a decrease of \$1,186,507. Items that influenced the fund balances are as follows:

- The General Fund is the principal operating fund of the County. The increase in the fund balance of the General Fund for the fiscal year was \$1,697,589. The reason for this increase was due to tax revenues higher than budgeted and the County receiving \$3,500,000 in Community Disaster Loan proceeds, which was used for budgeted operating expenses.

Business-type funds – Revenues from the business-type activities decreased by 33% to \$625,712 and expenses increased by 6% to \$856,984. The major factor contributing to these results was a decrease in usage at the golf course, which decreased revenues and golf course maintenance which increased expenses.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

Over the course of the year, Jackson County revised its annual operating budget on several occasions. Significant budget amendments are explained as follows:

- Amendments were made throughout the year to adjust various line items.
- At the end of the fiscal year, Jackson County amended its budget to reflect actual revenues received and expenditures made.

A schedule showing the original and final budget amounts compared to the County's actual financial activity for the General Fund and other major funds is provided in this report as required supplementary information.

JACKSON COUNTY, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2007

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2007, Jackson County's total capital assets were \$147,583,718. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase from the previous year of \$15,725,420. The largest portion of this increase was in infrastructure.

Total accumulated depreciation as of September 30, 2007, was \$52,881,460, including \$4,951,852 of depreciation expense for the current year, resulting in net capital assets of \$95,722,159.

Additional information on Jackson County's capital assets can be found in note 7 on pages 38-40 of this report.

Debt Administration – At September 30, 2007, Jackson County had \$61,592,108 in long-term debt outstanding. This includes general obligation bonds, limited obligation bonds, capital leases, other loans, and compensated absences liability. Of this amount, approximately \$27.3 million is capital related. Of the \$34.9 million that is non-capital related, the majority was issued for assets owned by other governmental entities or for economic development purposes.

In the past year, the County received \$3,500,000 in Community Disaster Loans to help pay operating expenses when it was not clear how Hurricane Katrina had affected the County's revenues. Jackson County maintains an "A" bond rating from Standard and Poors. Generally, the State of Mississippi limits the amount of debt a county can issue to 15% of total assessed value. The County's outstanding debt is below its current limit of \$180 million dollars.

Additional information on Jackson County's long-term debt can be found in note 10 on page 43-45 of this report.

CURRENT AND FUTURE ITEMS OF IMPACT

The County intends to issue notes before the close of fiscal year 2008 in the amount of \$2,750,000. These notes are in anticipation of grant revenues and for the payment of the remainder of the Manatron project on digitizing records and the remainder of the fairgrounds booth project.

The County also intends to issue bonds for a new jail, which will be voted on in November 2008. At this time, the Board of Supervisors does not expect to raise taxes in order to finance this project.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the Finance Director's office at P.O.Box 998, Pascagoula, MS 39568.

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

JACKSON COUNTY, MISSISSIPPI
Statement of Net Assets
For the Year Ended September 30, 2007

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS			
Cash	\$ 45,125,023	397,619	45,522,642
Property tax receivable	41,833,132	-	41,833,132
Intergovernmental receivables	5,186,342	-	5,186,342
Other receivables	1,450,755	-	1,450,755
Fines receivable, net of allowance of \$10,048,769	1,355,296	-	1,355,296
Loans receivable, net of allowance of \$172,235	202,938	-	202,938
Prepaid Expenses	667,857	-	667,857
Inventories	-	2,069	2,069
Deferred debt expense, net of amortization of \$1,386,837	1,220,118	-	1,220,118
Capital assets:			
Land	10,925,615	6,478	10,932,093
Capital assets, net	83,776,643	1,013,423	84,790,066
Total Assets	\$ 191,743,719	1,419,589	193,163,308
LIABILITIES			
Claims Payable	\$ 6,889,003	44,555	6,933,558
Intergovernmental payables	1,743,550	-	1,743,550
Internal balances	117,289	40,339	157,628
Accrued expenses	539,841	8,214	548,055
Deferred revenue	43,669,289	-	43,669,289
Long-term liabilities:			
Due within one year:			
Capital related	3,945,826	2,088	3,947,914
Non-capital related	1,542,632	-	1,542,632
Due in more than one year:			
Capital related	23,432,933	-	23,432,933
Non-capital related	32,670,717	32,425	32,703,142
Total Liabilities	\$ 114,551,080	127,621	114,678,701
NET ASSETS			
Invested in capital assets, net of related debt	67,323,499	1,017,813	68,341,312
Restricted for capital projects	6,480,379	-	6,480,379
Restricted for debt service	4,436,447	2,109	4,438,556
Unrestricted net assets (deficit)	(1,047,686)	272,046	(775,640)
Total net assets	\$ 77,192,639	1,291,968	78,484,607

JACKSON COUNTY, MISSISSIPPI
Statement of Activities
For the Year Ended September 30, 2007

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
					Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 32,376,324	3,391,018	916,661	-	(28,068,645)	-	(28,068,645)
Public safety	13,652,817	687,548	2,757,959	99,649	(10,107,661)	-	(10,107,661)
Public works	13,378,044	44	8,084,110	537,721	(4,756,169)	-	(4,756,169)
Health and welfare	2,321,084		252,720	-	(2,068,364)	-	(2,068,364)
Culture and recreation	2,386,790	40,781	-	-	(2,346,009)	-	(2,346,009)
Education	872,137	-	545,350	-	(326,787)	-	(326,787)
Conservation of natural resources	269,426	-	413,223	-	143,797	-	143,797
Economic development and assist.	1,522,619	773,462	2,533,267	-	1,784,110	-	1,784,110
Interest on long-term debt	2,291,982	-	-	-	(2,291,982)	-	(2,291,982)
Total governmental activities	69,071,223	4,892,853	15,503,290	637,370	(48,037,710)	-	(48,037,710)
Business-type activities:							
Adult detention center canteen	65,313	32,755	-	-	-	(32,558)	(32,558)
Harbor	127,203	106,203	-	-	-	(21,000)	(21,000)
Golf course	664,176	483,005	149	-	-	(181,022)	(181,022)
Heinz building	292	3,600	-	-	-	3,308	3,308
Total business-type activities	856,984	625,563	149	-	-	(231,272)	(231,272)
Total primary government	\$ 69,928,207	5,518,416	15,503,439	637,370	(48,037,710)	(231,272)	(48,268,982)
General revenues:							
Property taxes					\$ 56,478,955	-	56,478,955
Road and bridge privilege taxes					1,766,068	-	1,766,068
Grants and contributions, unrestricted					3,662,799	-	3,662,799
Interest income					2,053,242	13,089	2,066,331
Miscellaneous revenues					3,948,230	-	3,948,230
Transfers					-	-	-
Total general revenues and transfer					67,909,294	13,089	67,922,383
Changes in net assets					19,871,584	(218,183)	19,653,401
Net assets-As previously stated					60,544,770	989,611	61,534,381
Prior Period Adjustment					(3,223,715)	520,540	(2,703,175)
Net assets-As restated					57,321,055	1,510,151	58,831,206
Net assets-end of year					\$ 77,192,639	1,291,968	78,484,607

See accompanying notes to financial statements

FUND FINANCIAL STATEMENTS

JACKSON COUNTY, MISSISSIPPI
Balance Sheet – Governmental Funds
For the Year Ended September 30, 2007

	<u>General</u>	<u>Roads</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 12,424,700	7,947,201	24,753,122	45,125,023
Property tax receivable	23,769,070	5,983,534	12,080,528	41,833,132
Fines receivable, net of allowance of \$4,142,807	1,355,296	-	-	1,355,296
Intergovernmental receivables	1,800,846	-	3,385,496	5,186,342
Due from other funds	8,652,470	239,689	179,912	9,072,071
Prepaid expenses	667,857	-	-	667,857
Loans receivable, net of allowance of \$172,235	-	-	202,938	202,938
Other receivables	1,275,172	-	175,583	1,450,755
Total Assets	\$ 49,945,411	14,170,424	40,777,579	104,893,414
LIABILITIES:				
Claims Payable	\$ 2,532,074	1,058,974	3,297,955	6,889,003
Accrued payroll	410,125	75,601	54,115	539,841
Intergovernmental payables	1,743,550	-	-	1,743,550
Due to other funds	1,316,459	-	7,872,900	9,189,359
Deferred revenue	25,124,366	5,983,534	12,561,390	43,669,290
Total Liabilities	31,126,574	7,118,109	23,786,360	62,031,043
FUND BALANCES:				
Reserved for loans receivable	-	-	202,938	202,938
Reserved for other receivables	1,275,172	-	-	1,275,172
Unreserved, reported in:				
General funds	17,543,665	-	-	17,543,665
Special revenue funds	-	7,052,315	2,754,860	9,807,175
Debt service funds	-	-	4,436,447	4,436,447
Capital projects funds	-	-	9,596,974	9,596,974
Total fund balances	18,818,837	7,052,315	16,991,219	42,862,371
Total liabilities and fund balances	\$ 49,945,411	14,170,424	40,777,579	104,893,414

JACKSON COUNTY, MISSISSIPPI
 Reconciliation of the Balance Sheet to the Statement of Net Assets
 Governmental Funds
 For the Year Ended September 30, 2007

Fund Balances - total governmental funds	\$	42,862,371
Amounts reported for governmental activities in Statement of Net Assets vary due to the following:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Governmental capital assets	\$ 147,583,718	
Less accumulated depreciation	<u>(52,881,460)</u>	94,702,258
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds		(61,592,108)
Deferred debt expense is not a financial resource and therefore is not reported in the governmental funds		<u>1,220,118</u>
Net Assets of Governmental Activities	\$	<u><u>77,192,639</u></u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2007

	<u>General</u>	<u>Roads</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 31,257,938	8,304,829	16,432,627	55,995,394
Road and bridge privilege taxes	-	1,766,068	2,164,648	3,930,716
Licenses, commissions and other revenue	2,723,663	-	-	2,723,663
Fines and forfeitures	1,440,645	-	258,297	1,698,942
Intergovernmental revenues	7,240,332	2,709,673	7,645,374	17,595,379
Charges for services	489,240	-	-	489,240
Interest income	656,097	-	960,918	1,617,015
Miscellaneous revenues	1,370,632	381,996	7,072,978	8,825,606
Total revenues	<u>45,178,547</u>	<u>13,162,566</u>	<u>34,534,842</u>	<u>92,875,955</u>
EXPENDITURES				
Current Operating:				
General government	25,070,373	-	14,139,547	39,209,920
Public safety	6,779,305	-	3,778,179	10,557,484
Public works	1,374,567	15,979,269	10,173,649	27,527,485
Health and welfare	2,372,038	-	-	2,372,038
Culture and recreation	2,482,877	-	-	2,482,877
Education	872,137	-	-	872,137
Conservation of natural resources	265,989	-	-	265,989
Economic development and assistance	1,368,428	-	382,354	1,750,782
Debt Service:				
Principal	7,466	-	6,290,042	6,297,508
Interest	279	-	2,313,277	2,313,556
Total expenditures	<u>40,593,459</u>	<u>15,979,269</u>	<u>37,077,048</u>	<u>93,649,776</u>
OTHER FINANCING SOURCES (USES)				
Long-term non-capital debt issued	3,500,000	-	-	3,500,000
Proceeds from sale of assets	26,446	11,557	-	38,003
Compensation for loss of capital assets	5,080	-	-	5,080
Transfers in	1,025,220	2,228,003	3,027,421	6,280,644
Transfers out	(2,615,601)	-	(1,578,926)	(4,194,527)
Net other financing sources (uses)	<u>1,941,145</u>	<u>2,239,560</u>	<u>1,448,495</u>	<u>5,629,200</u>
Net change in fund balances	<u>6,526,233</u>	<u>(577,143)</u>	<u>(1,093,711)</u>	<u>4,855,379</u>
Fund balances - As previously stated	17,121,248	7,982,316	18,945,314	44,048,878
Prior Period Adjustment	(4,828,644)	(352,858)	(860,384)	(6,041,886)
Fund Balances - As restated	<u>12,292,604</u>	<u>7,629,458</u>	<u>18,084,930</u>	<u>38,006,992</u>
Fund Balances - End of year	<u>\$ 18,818,837</u>	<u>7,052,315</u>	<u>16,991,219</u>	<u>42,862,371</u>

JACKSON COUNTY, MISSISSIPPI
 Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balances to the Statement of Activities
 Governmental Funds
 For the Year Ended September 30, 2007

Net change in fund balances - total governmental funds	\$	4,855,379
Amounts reported for governmental activities in Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:		
Expenditures for capital assets	\$ 17,444,574	
Less current year depreciation	<u>(4,911,277)</u>	12,533,297
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the statement of activities using the full-accrual basis of accounting		
		(274,889)
Compensated absences not payable from current year resources are not reported as expenditures of the current year. In the Statement of Activities, these costs represent expenses of the current year		
		20,060
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
Long-term debt issued	(3,500,000)	
Repayment of debt	6,297,508	
Amortization and accretion of debt issue costs, discounts, and premiums	<u>(332,394)</u>	2,465,114
Accrued interest expense reported in the Statement of Net Assets does not require the use of current financial resources and is therefore not reported as expenditures in the governmental funds		
		(539,841)
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The change in net assets of the Internal Service Funds is reported with the governmental activities		
		<u>812,464</u>
Change in net assets - governmental activities	\$	<u><u>19,871,584</u></u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
Statement of Net Assets – Proprietary Funds
For the Year Ended September 30, 2007

	Business-Type Activities	Governmental Activities
	Non-Major Enterprise Funds	Internal Service Funds
ASSETS		
Current assets:		
Cash	\$ 397,619	1,014,515
Other receivables	-	170,207
Inventories	2,069	-
Total current assets	399,688	1,184,722
Non-current assets:		
Capital assets, net	1,019,901	-
Total assets	1,419,589	1,184,722
LIABILITIES		
Current liabilities:		
Claims payable	44,555	354,596
Accrued payroll	8,214	-
Due to other funds	40,339	-
Current maturities of capital-related debt	2,088	-
Total current liabilities	95,196	354,596
Non-current liabilities:		
Capital-related debt	-	-
Compensated absences liability	32,425	-
Total non-current liabilities	32,425	-
Total liabilities	127,621	354,596
NET ASSETS		
Invested in capital assets, net of related debt	1,017,813	-
Restricted for inmate canteen supplies	188,528	-
Restricted for recreation	50,638	-
Restricted for economic development	32,880	-
Restricted for debt service	2,109	-
Unrestricted	-	830,126
Total net assets	\$ 1,291,968	830,126

JACKSON COUNTY, MISSISSIPPI
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds
For the Year Ended September 30, 2007

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Non-Major Enterprise Funds</u>	<u>Internal Service Funds</u>
OPERATING REVENUES		
Sales and charges for services	\$ 625,713	-
Premium income	-	4,623,167
Total operating revenues	<u>625,713</u>	<u>4,623,167</u>
OPERATING EXPENSES		
Personnel services	404,424	-
Contractual services	192,515	-
Materials and supplies	219,202	-
Depreciation	40,576	-
Indirect expense allocation	-	-
Claims payments	-	3,595,702
Insurance premiums	-	1,198,307
Total operating expenses	<u>856,717</u>	<u>4,794,009</u>
Operating income (loss)	<u>(231,004)</u>	<u>(170,842)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	13,089	3,527
Interest expense	(268)	-
Net non-operating revenues (expenses)	<u>12,821</u>	<u>3,527</u>
Net income (loss) before capital contributions and transfers	<u>(218,183)</u>	<u>(167,315)</u>
Transfers in	-	979,779
Changes in net assets	<u>(218,183)</u>	<u>812,464</u>
Total net assets (deficit) - As previously stated	989,611	17,662
Prior Period Adjustment	520,540	-
Total net assets (deficit) - As restated	<u>1,510,151</u>	<u>17,662</u>
Total net assets (deficit) - end of year	<u>\$ 1,291,968</u>	<u>830,126</u>

JACKSON COUNTY, MISSISSIPPI
Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2007

	Business-Type Activities	Governmental Activities
	Non-Major Enterprise Funds	Internal Service Funds
Cash Flows From Operating Activities:		
Receipts from customers	\$ 625,713	-
Receipts for premiums	-	4,585,141
Payments to employees	(404,424)	-
Payments for claims	-	(3,869,168)
Payments for insurance premiums	-	(1,198,307)
Cash paid to suppliers	(405,309)	-
Net cash flows from operating activities	(184,020)	(482,334)
Cash Flows From Non-Capital Financing Activities:		
Proceeds from other funds	-	-
Repayments of loans from other funds	-	-
Transfers in	-	979,779
Net cash flows from non-capital financing activities	-	979,779
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	-	-
Principal paid on long-term debt	(11,383)	-
Interest paid on long-term debt	(268)	-
Net cash flows from capital and related financing activities	(11,651)	-
Cash Flows From Investing Activities:		
Interest income	13,089	3,527
Net change in cash	(182,582)	500,972
Cash - beginning of year	580,201	513,543
Cash - end of year	397,619	1,014,515
Reconciliation of Operating Income to Net Cash Flows		
From Operating Activities:		
Operating income (loss)	(231,004)	(170,842)
Depreciation	40,576	-
Change in current assets and liabilities:		
Other receivables	886	(38,026)
Claims payable	5,374	(273,466)
Accrued payroll	240	-
Compensated absences	(92)	-
Net cash flows from operating activities	\$ (184,020)	(482,334)

JACKSON COUNTY, MISSISSIPPI
Statement of Fiduciary Assets and Liabilities
For the Year Ended September 30, 2007

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 1,433,087
Due from other funds	<u>157,628</u>
Total assets	<u><u>1,590,715</u></u>
LIABILITIES	
Other accrued liabilities	<u>1,590,715</u>
Total liabilities	<u><u>\$ 1,590,715</u></u>

JACKSON COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2007

(1) Significant Accounting Policies

(a) Financial Reporting Entity

Jackson County, Mississippi ("the County") is a political subdivision of the State of Mississippi. The County is governed by an elected five member Board of Supervisors. Accounting principles generally accepted in the United States of America require Jackson County to present these financial statements on the primary government and its component units that have significant operational or financial relationships with the County.

Management has chosen to omit from these financial statements the following component units that have significant operational or financial relationships with the County. Accordingly, the financial statements do not include the data of all the County's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Singing River Mental Health/Mental Retardation Services
- Jackson-George Regional Library System
- Jackson County Port Authority
- Gulf Park Estates-St. Andrews Fire District
- Singing River Hospital System
- West Jackson County Utility District
- Jackson County Emergency Communications District

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the County legal entity, and therefore, are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor
- Tax Collector
- Sheriff

(b) Basis of Presentation

The County's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities; and fund financial statements, which provide a detailed level of financial information.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2007

(1) Significant Accounting Policies (continued)

(b) Basis of Presentation (continued)

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the County as a whole. The statements include all non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities are reported separately from business-type activities and are generally financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities rely mainly on fees and charges for support.

The Statement of Net Assets presents the financial condition of the governmental activities and business-type activities of the County at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the County's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. Internal service fund balances have been eliminated against the expenses and program revenue. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column.

(c) Measurement Focus and Basis of Accounting

The government-wide, proprietary funds and fiduciary funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the County. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2007

(1) Significant Accounting Policies (continued)

(c) Measurement Focus and Basis of Accounting (continued)

Agency funds have no measurement focus, but use the accrual basis of accounting. The County's proprietary funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of proprietary funds are classified as operating or non-operating. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's primary operations. All other revenues and expenses are reported as non-operating.

Governmental Funds financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within sixty days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liability is incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The County reports the following major governmental funds:

General Fund – This fund is used to account for all activities of the general government for which a separate fund has not been established.

Road Fund – This fund is used to account for revenues from specific revenue sources that are restricted for construction and maintenance of the County's roads.

The County reports no major proprietary funds.

Additionally, the County reports the following fund types:

Governmental Fund Types

Special Revenue Funds – These funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2007

(1) Significant Accounting Policies (continued)

(c) Measurement Focus and Basis of Accounting (continued)

Debt Service Funds – These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and federal grants.

Proprietary Fund Types

Enterprise Funds – These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the County has decided that periodic determination of revenues earned, expenses incurred and other net income is necessary for management accountability.

Internal Service Funds – These funds are used to account for those operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The County's internal service funds report on self-insurance programs for employee medical benefits and for the County's workers compensation costs.

Fiduciary Fund Types

Agency Funds – These funds account for various taxes, deposits and other monies collected or held by the County, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

(d) Account Classifications

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

(e) Deposits and Investments

State law authorizes the County to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the County may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2007

(1) **Significant Accounting Policies (continued)**

(f) **Receivables**

Receivables are reported net of allowances for uncollectible accounts, where applicable.

(g) **Inter-fund Transactions and Balances**

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Inter-fund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

(h) **Inventories**

Inventories in the proprietary funds are valued at cost, which approximates market, using the first-in/first-out method.

(i) **Capital Assets**

Capital acquisition and construction are reflected as expenditures in governmental fund statements, and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure, which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to retroactively report major general infrastructure assets by September 30, 2007. Current year general infrastructure assets are required to be reported. General infrastructure assets acquired after September 30, 1980, are reported on the government-wide financial statements. Current year general infrastructure assets are reported on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

JACKSON COUNTY, MISSISSIPPI

Notes to Financial Statements

For the Year Ended September 30, 2007

(1) Significant Accounting Policies (continued)

(i) Capital Assets

Capital assets acquired or constructed for proprietary fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because non-capitalization of interest does not have a material effect on the County's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and proprietary funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds.

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	n/a
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy will correspond with the amounts for the asset classification, as listed above.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2007

(1) Significant Accounting Policies (continued)

(j) Long-term Liabilities

Long-term liabilities are the un-matured principal of bonds, loans, notes or other forms of non-current or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and in the proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary funds statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(k) Equity Classifications

Government-wide Financial Statements:

Equity is classified as net assets and displayed in the following three components:

Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net assets – Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets – All other net assets not meeting the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved, with unreserved classified as designated and undesignated.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2007

(1) Significant Accounting Policies (continued)

(k) Equity Classifications

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

(l) Property Tax Revenues

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the County. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount that resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year, which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

(m) Intergovernmental Revenues in Governmental Funds

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in governmental funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

(n) Compensated Absences

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and the proprietary funds financial statements. In fund financial statements, governmental funds report the compensated absence liability payable only if the payable has matured; for example, an employee resigns or retires.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2007

(2) Deposits and Investments

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2007, was \$45,522,642, and the bank balance was \$43,233,225. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the County. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

Interest Rate Risk. The County does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to those authorized by Section 19-9-29, Miss. Code Ann. (1972). The County does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

Custodial Credit Risk – Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2007

(3) **Inter-Fund Transactions and Balances**

The following is a summary of inter-fund balances at September 30, 2007:

Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Non-Major Special Revenue Funds	\$ 8,652,470
Road Fund	General Fund	239,689
Non-Major Special Revenue Funds	General Fund	92,681
Non-Major Debt Service Funds	General Fund	71,352
Non-Major Capital Projects Funds	General Fund	15,879
		<hr/>
Total		\$ 9,072,071
		<hr/> <hr/>

The receivables in the general fund represent loans to other funds to temporarily cover operating needs. The receivables in all other funds represent tax revenue collected but not settled until October 2007. All inter-fund balances are expected to be repaid within one year of the date of the financial statements.

Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Non-Major Special Revenue Funds	\$ 9,962
General Fund	Non-Major Debt Service Funds	1,015,258
Road Fund	Non-Major Service Funds	2,228,003
Non-Major Special Revenue Funds	General Fund	1,635,821
Non-Major Special Revenue Funds	Non-Major Special Revenue Funds	92,613
Non-Major Debt Service Funds	Non-Major Debt Service Funds	319,208
Internal Service Fund	General Fund	979,779
		<hr/>
Total		\$ 6,280,644
		<hr/> <hr/>

The principal purpose of inter-fund transfers was to provide funds for grant matching contributions or to transfer funds from one debt service fund to another upon the issuance of refunding bonds.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2007

(4) Intergovernmental Receivables

Intergovernmental receivables at September 30, 2007, consist of the following:

<u>Description</u>	<u>Amount</u>
Federal grants receivable	
▪ FEMA – Katrina	\$ 3,042,163
▪ CIAP	117,702
▪ Economic Development Grant	170,000
▪ Hazard Mitigation	684,865
▪ State Homeland Security	71,874
▪ Multiple smaller grants	<u>73,494</u>
	4,160,098
State grants receivable	<u>1,026,244</u>
Total intergovernmental receivables	<u>\$ 5,186,342</u>

(5) Other Receivables

In November 2004, the County was awarded a judgment of \$2,020,000 against a Florida corporation. In January 2005, the company filed for bankruptcy under Chapter 11 of the U.S. Federal Bankruptcy Code. In February 2006, the County and the company reached a settlement agreement under which the company would repay the County \$1,500,000 in 5 equal installment payments of \$300,000 due by September 30th each year with the final payment due in September 2009. As of September 30, 2007 only one payment of \$300,000 has been made.

The County has discounted this receivable using an 8% imputed interest rate and has recorded a receivable under the caption Other Receivables in the financial statements.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2007

(6) Loans Receivable

Loans receivable at September 30, 2007, consisted of the following:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Payable</u>
Sandco Industries	10/01/91	4%	11/04/04	\$ 50,000
Bayou Blend	09/22/94	4%	09/01/99	86,254
Superior Optical	09/21/95	4%	10/21/05	35,982
Lagniappe House	12/02/97	4%	02/01/07	72,937
Rapiscan	07/28/05	0%	08/15/20	<u>130,000</u>
Loans receivable				375,173
Less: Reserve for bad debts				<u>(172,235)</u>
Loans receivable, net of bad debt reserve				<u>\$ 202,938</u>

(7) Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2007:

	<u>Balance</u> <u>Oct. 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance</u> <u>Sept. 30, 2007</u>
<u>Governmental Activities</u>					
Land	\$ 9,705,258	966,146	-	254,211	10,925,615
Infrastructure	63,740,305	-	-	4,283,419	68,023,724
Buildings	29,388,189	11,903,273	-	-	41,291,462
Improvements other than buildings	6,150,708	132,460	-	-	6,283,168
Construction in progress	1,746,393	1,535,098	(1,746,393)	-	1,535,098
Mobile equipment	13,378,812	1,143,930	(958,199)	1,001,278	14,565,821
Other equipment	3,727,717	1,763,667	(554,658)	-	4,936,726
Leased property under capital lease	<u>22,104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,104</u>
Total	<u>127,859,486</u>	<u>17,444,574</u>	<u>(3,259,250)</u>	<u>5,538,908</u>	<u>147,583,718</u>

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2007

Less accumulated depreciation:

	Balance				Balance
	Oct. 1, 2006	Additions	Deletions	Adjustments	Sept. 30, 2007
Infrastructure	\$ 22,254,037	2,381,916	-	-	24,635,953
Buildings	12,553,601	738,693	-	-	13,292,294
Improvements other than buildings	2,217,960	210,215	-	-	2,428,175
Mobile equipment	8,878,501	1,150,530	(958,199)	-	9,070,832
Other equipment	3,570,981	425,943	(554,658)	-	3,442,266
Leased property under capital lease	7,960	3,980	-	-	11,940
Total	49,483,040	4,911,277	(1,512,857)	-	52,881,460
Net capital assets - governmental activities	78,376,446	12,533,297	(1,746,393)	4,538,908	94,702,258

	Balance				Balance
	Oct. 1, 2006	Additions	Deletions	Adjustments	Sept. 30, 2007
Business-Type Activities:					
Land	\$ 6,478	-	-	-	6,478
Buildings	232,641	-	-	-	232,641
Improvements other than buildings	576,358	539,081	-	-	1,115,439
Mobile equipment	233,343	-	(15,600)	(11,069)	206,674
Other equipment	53,609	-	-	29,980	83,589
Total	1,102,429	539,081	(15,600)	18,911	1,644,821
Less accumulated depreciation:					
Buildings	81,306	3,152	-	-	84,458
Improvements other than buildings	263,830	28,714	-	-	292,544
Mobile equipment	199,537	4,716	(14,040)	(4,208)	186,005
Other equipment	43,143	3,993	-	14,777	61,913
Total	587,816	40,575	(14,040)	10,569	624,920
Net capital assets - business-type activities \$	514,613	498,506	(1,560)	8,342	1,019,901

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2007

(7) Capital Assets (continued)

Depreciation was charged to the following functions:

<u>Description</u>	<u>Amount</u>
Governmental activities:	
General government	\$ 918,784
Public safety	830,351
Public works	2,729,270
Health and welfare	22,826
Culture and recreation	149,390
Education	11,036
Conservation of natural resources	9,050
Economic development and assistance	240,570
	<hr/>
Total governmental activities depreciation expense	\$ 4,911,277
	<hr/>
Business-type activities:	
Golf course	\$ 38,600
Harbor	1,975
	<hr/>
Total business-type activities depreciation expense	\$ 40,575
	<hr/>

(8) Claims and Judgments

Risk Financing

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2007, to January 1, 2008. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The County is exposed to risk of loss relating to employee health, accident and dental coverage. Beginning in October 1990 and pursuant to section 25-15-101, Miss Code Ann. (1972), the County established a risk management fund (included as an internal service fund) to account for and finance its uninsured risk of loss.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2007

(8) Claims and Judgments (continued)

Under the plan, amounts payable to the risk management fund are based on actuarial estimates. The County pays the premium on a single coverage policy for its employees. Employees desiring additional and/or dependent coverage pay the additional premium through a payroll deduction. Premium payments to the risk management fund are determined on an actuarial basis. The County has minimum uninsured risk retention to the extent that actual claims submitted exceed the predetermined premium. The County has implemented the following plan to minimize this potential loss:

The County has purchased reinsurance from an outside commercial carrier which functions on a specific stop loss basis. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$100,000 (\$125,000; \$165,000; and \$175,000 for three specified participants).

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. At September 30, 2007, the amount of these liabilities was \$354,596. An analysis of claims activities is presented below:

	<u>Beginning of Fiscal Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
Fiscal year ended:				
September 30, 2006 \$	607,327	3,232,686	3,211,951	628,062
September 30, 2007	628,062	3,595,702	3,869,168	354,596

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2007

(9) Capital Leases

The County is obligated for the following assets acquired through capital leases as of September 30, 2007:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ <u>22,104</u>
Total	22,104
Less accumulated depreciation	<u>(11,940)</u>
Leased property under capital leases	<u>\$ <u>10,164</u></u>

The following is a schedule by years of the total payments due as of September 30, 2007:

<u>Year Ending September 30:</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ <u>4,470</u>	<u>49</u>
Total payments	<u>4,470</u>	<u>49</u>

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2007

(10) Long-term Debt

Debt outstanding as of September 30, 2007, consisted of the following:

Governmental Activities:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rates (%)</u>	<u>Final Maturity Date</u>
(a) <u>General Obligation Bonds:</u>			
Library bond refunding	\$ 165,000	4.8 - 5.7	05/01/09
Road improvement refunding	840,000	4.8 - 5.7	05/01/09
1998 Port improvement bonds	4,235,000	5.4	05/01/18
HAM Marine - MBIA bonds	1,619,807	2.0	11/01/11
Series 2002 refunding	10,315,000	2.0 - 4.0	12/01/14
Series 2003 refunding	5,245,000	1.1 - 5.1	03/01/14
Northrop Grumman site	3,855,000	4.0 - 5.0	08/01/14
Road improvements	10,000,000	3.0 - 5.0	12/01/16
Northrop Grumman site	10,400,000	3.9 - 5.2	06/01/20
Moss Point Industrial Park refunding	<u>2,625,000</u>	3.9 - 5.0	06/01/20
Total General Obligation Bonds	\$ <u>49,299,807</u>		
(b) <u>Capital Lease</u>			
2005 Ford 500	<u>\$ 4,470</u>	3.27	4/26/08
(c) <u>Other Loans</u>			
Franklin Creek - Forts Lake	\$ 28,287	4.56	07/27/08
Vancleave fire department	62,441	4.10	01/09/10
Fort Bayou fire department	406,595	5.26	01/15/17
Ft. Bayou fire truck	126,819	4.22	12/01/14
Hurricane Katrina disaster loan	<u>10,500,000</u>	2.69	12/19/10
Total other loans	\$ <u>11,124,142</u>		

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2007

(10) Long-term Debt (continued)

Business-type Activities:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
(a) <u>Other Loans</u>			
Tractor loan	\$ <u>2,088</u>	4.8 - 6.5	11/12/07

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

Governmental Activities:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>		<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 5,382,778	2,067,954	248,383	32,130
2009	5,212,778	1,875,933	76,364	25,016
2010	5,217,778	1,657,529	66,654	21,410
2011	5,422,778	1,437,293	7,056,377	18,454
2012-2016	21,008,695	4,008,856	296,777	47,525
2017-2021	7,055,000	745,600	26,760	703
Total	\$ <u>49,299,807</u>	<u>11,793,165</u>	<u>7,771,315</u>	<u>145,238</u>

Business-type Activities:

<u>Year Ending September 30</u>	<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ <u>2,088</u>	<u>21</u>
Total	\$ <u>2,088</u>	<u>21</u>

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2007

(10) Long-term Debt (continued)

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2007, the amount of outstanding debt was equal to 2% of the latest property assessments.

Prior Year Defeasance of Debt - In prior years, the County defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On September 30, 2007, \$1,055,000 of bonds outstanding were considered defeased.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2007:

	Balance Oct. 1, 2006	Additions	Reductions	Adjustments	Balance Sept. 30, 2007	Due Within One Year
Governmental Activities:						
Compensated absences	\$ 1,180,386	-	(12,229)	-	1,168,157	-
General obligation bonds	53,802,585	-	(4,502,778)	-	49,299,807	5,382,778
Capital leases	11,936	-	(7,466)	-	4,470	4,470
Other loans	9,418,431	3,500,000	(1,794,289)	-	11,124,142	101,210
Bond premiums, net	319,055	-	(55,197)	-	263,858	
Total	\$ 64,732,393	3,500,000	(6,371,959)	-	61,860,434	5,488,458
Business-type Activities:						
Compensated absences	\$ 32,517	-	(92)	-	32,425	
Other loans	13,470	-	(11,382)	-	2,088	2,088
Total	\$ 45,987	-	(11,474)	-	34,513	2,088

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2007

(11) Deficit Fund Balances of Individual Funds

The following funds report accrual-basis deficits in fund balances at September 30, 2007:

Fund	Fund Balance	
	Cash Basis	Accrual Basis
Special revenue funds:		
Hurricane Katrina	\$ 1,579,343	2,206,853
Harbor Tidelands	6,806	6,806
FAA Grant	(41,291)	72,567
Debt service funds:		
Homeport	(1,786,504)	1,363,592
Library	(82,793)	226,989
Roads	(883,350)	10,964,717
Port	(6,246,172)	38,970,292
Capital projects funds:		
1998 Port Bond Issue	(833,534)	690,131
Industrial water project	766,815	819,426
Helena press sewer and water	61,327	61,327
CIAP projects	31,043	254,430
Northrop Grumman Series 2005	(238,127)	21,271

Items in parenthesis represent positive fund balances. There were no funds with negative cash balances at September 30, 2007.

The deficit fund balances shown in the cash-basis column were caused by loans from other funds.

(12) Contingencies

Federal Grants – The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the County. No provision for any liability that may result has been recognized in the County's financial statements.

Litigation – The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the County with respect to the various proceedings. However, the County's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the County.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2007

(12) Contingencies (continued)

The County has been named as a defendant in a lawsuit seeking unspecified damages for an incident involving a reserve deputy sheriff. The County has excess liability insurance coverage that it believes would cover any judgment against the County up to a limit of \$1,000,000. The policy has a \$250,000 self-insured retention. No provision has been made in the accompanying financial statements for this contingent liability since the amount of the potential loss, if any, cannot be reasonably estimated.

General Obligation Debt Contingencies – The County issues general obligation bonds and loans to provide funds for constructing and improving capital facilities of the Jackson County Port Authority, a component unit of the County. Such debt is being retired from pledged resources of the Port Authority and therefore, is reported as a liability of the Port Authority. However, because general obligation bonds and loans are backed by the full faith, credit and taxing power of the County, the County remains contingently liable for its retirement. The principal amount of such debt outstanding at September 30, 2007, consisted of the following:

<u>Description</u>	<u>Balance at September 30, 2007</u>
General obligation bonds	\$ <u>1,965,000</u>

Hospital Revenue Bond and Note Contingencies – The County issues revenue bonds and notes to provide funds for constructing and improving capital facilities of the Singing River Hospital. Revenue bonds and notes are reported as a liability of the hospital because such debt is payable primarily from the hospital's pledged revenues. However, the County remains contingently liable for the retirement of these bonds and notes because the full faith, credit and taxing power of the County is secondarily pledged in case of default by the hospital. To secure the repayment of the hospital revenue bonds and notes, the Board of Supervisors may authorize payment of the avails of an ad valorem tax levy on all taxable property in the County not to exceed five mills in any one year. The principal amount of such debt outstanding at September 30, 2007, consisted of the following:

<u>Description</u>	<u>Balance at September 30, 2007</u>
Revenue bonds	\$ 46,334,243
Other	<u>4,595,900</u>
Total	\$ <u>50,930,143</u>

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2007

(13) **No Commitment Debt (Not Included in Financial Statements)**

No commitment debt is repaid only by the entities for which the debt was issued and includes debt that either bears the County's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the County, other than possibly an agreement to assist creditors in exercising their rights in the event of default. Because a default may adversely affect the County's own ability to borrow, the principal amount of such debt outstanding at year end is disclosed as follows:

<u>Description</u>	<u>Balance at September 30, 2007</u>
Industrial revenue bonds and notes	\$ <u>56,750,706</u>

(14) **Segment Information for Enterprise Funds**

The County maintains four Enterprise Funds, which provide recreation and community services, rental services and food services. Summary financial information for each Enterprise Fund is presented for the year ended September 30, 2007:

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2007

	<u>ADC Canteen</u>	<u>Ocean Springs Harbor</u>	<u>Golf Course</u>	<u>Heinz Building</u>	<u>Total</u>
Condensed Statement of Net Assets:					
Current assets	\$ 191,322	90,591	84,845	32,930	399,688
Capital assets	-	100,545	919,356	-	1,019,901
Total assets	<u>191,322</u>	<u>191,136</u>	<u>1,004,201</u>	<u>32,930</u>	<u>1,419,589</u>
Current liabilities	2,794	32,830	59,522	50	95,196
Non-current liabilities	-	7,123	25,302	-	32,425
Total liabilities	<u>2,794</u>	<u>39,953</u>	<u>84,824</u>	<u>50</u>	<u>127,621</u>
Net assets:					
Invested in capital assets, net of related debt	-	100,545	917,268	-	1,017,813
Restricted	188,528	50,638	2,109	32,880	274,155
Unrestricted	-	-	-	-	-
Total net assets	<u>\$ 188,528</u>	<u>151,183</u>	<u>919,377</u>	<u>32,880</u>	<u>1,291,968</u>

Condensed Statement of Revenues, Expenses, and Changes in Fund Net Assets:

Operating revenues	\$ 32,755	106,203	483,155	3,600	625,713
Operating expenses	(65,313)	(125,228)	(625,308)	(292)	(816,141)
Depreciation expense	-	(1,975)	(38,601)	-	(40,576)
Operating income (loss)	<u>(32,558)</u>	<u>(21,000)</u>	<u>(180,754)</u>	<u>3,308</u>	<u>(231,004)</u>
Interest income	5,994	3,059	3,840	196	13,089
Interest expense	-	-	(267)	-	(267)
Change in net assets	<u>(26,564)</u>	<u>(17,941)</u>	<u>(177,181)</u>	<u>3,504</u>	<u>(218,182)</u>
Beginning net assets, as restated	215,092	169,124	1,096,558	29,376	1,510,150
Ending net assets	<u>\$ 188,528</u>	<u>151,183</u>	<u>919,377</u>	<u>32,880</u>	<u>1,291,968</u>

Condensed Statement of Cash Flows:

Net cash provided (used) by:					
Operating activities	\$ (39,576)	(12,819)	(135,125)	2,334	(185,186)
Non-capital financing activities	-	-	1,806	-	1,806
Capital and related financing activities	-	-	(12,291)	-	(12,291)
Investing activities	5,994	3,059	3,840	196	13,089
Net change in cash	<u>(33,582)</u>	<u>(9,760)</u>	<u>(141,770)</u>	<u>2,530</u>	<u>(182,582)</u>
Cash - beginning	224,904	100,351	224,546	30,400	580,201
Cash - ending	<u>\$ 191,322</u>	<u>90,591</u>	<u>82,776</u>	<u>32,930</u>	<u>397,619</u>

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2007

(15) **Jointly Governed Organizations**

The County participates in the following jointly governed organizations:

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone, and Wayne. The governing body is a twenty-seven member board of directors, one appointed by the Board of Supervisors of each member county, one from each of the six participating cities and six appointed at large by minority members. The County appropriated \$32,855 for support of Southern Mississippi Planning and Development District in fiscal year 2007.

Jackson County Civic Action is jointly governed by various public entities, as well as by certain corporations and civic groups. The Jackson County Board of Supervisors appoints two of the fifteen members of the board of directors. The County appropriated \$156,000 for support of Jackson County Civic Action in fiscal year 2007.

Gulf Regional Planning and Development District operates in a district composed of the Counties of Hancock, Harrison, and Jackson. The governing body is a nine member board of directors, three appointed by the Board of Supervisors of each member county. The County appropriated \$24,470 for support of Gulf Regional Planning and Development District in fiscal year 2007.

Harrison-Jackson County Emergency Medical Service District operates in a district composed of the Counties of Harrison and Jackson. The district is presently composed of the following five members: the Counties of Harrison and Jackson and the Cities of Biloxi, Gulfport, and Ocean Springs. The district's board is composed of five members, one appointed by each government. The County provided no financial support to Harrison-Jackson County Emergency Medical Service District in fiscal year 2007.

Mississippi Gulf Coast Community College operates in a district composed of the counties of George, Harrison, Jackson, and Stone. The college's board of trustees is composed of twenty-three members, three each appointed by George and Stone Counties, eight each appointed by Harrison and Jackson Counties, and one appointed at large. The County appropriated \$11,253,899 for maintenance and support of the college in fiscal year 2007.

Mississippi Regional Housing Authority IV operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The governing body is a fifteen member board of commissioners, one appointed by the Board of Supervisors of each of the member counties and one appointed at large. The counties generally provide no financial support to the organization.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2007

(16) **Defined Benefit Pension Plan**

Plan Description – Jackson County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy – PERS members are required to contribute 7.25% of their annual covered salary and the County is required to contribute at an actuarially determined rate. The current rate is 11.85% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contribution (employer share only) to PERS for the year ending September 30, 2007, 2006 and 2005 were \$2,182,354, \$2,024,226, and 1,947,596 respectively, equal to the required contribution for each year.

(17) **Natural Disaster**

On August 29, 2005, Hurricane Katrina struck the Mississippi, Louisiana, and Alabama Gulf Coast, causing catastrophic damage throughout the entire region. In addition to extensive damage to private property in the County, a substantial amount of the County's property was damaged or destroyed. The full extent of the County's losses from Hurricane Katrina is not known, but current estimates are in the \$50,000,000 range. The County believes most of those losses will be reimbursed through Federal and State grants or insurance coverage. The ultimate amount of the losses the County will be required to absorb cannot be determined at this time. The County has recorded a loss of approximately \$1,560,000 in its 2006 financial statements for un-reimbursable Hurricane Katrina expenditures. It is not known at this time how much additional un-reimbursable expenditures the County will incur.

In 2006, the Federal Government approved a low-interest disaster loan to the County totaling \$14,500,000. The County borrowed \$7,000,000 on this loan in the 2006 fiscal year and borrowed an additional \$3,500,000 on this loan in 2007. The loan bears interest at 2.69% and is due in December 2010. The County does not plan to borrow the remaining \$4,000,000 that had originally been approved.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2007

(18) Prior Period Adjustment

Government-Wide Financial Statements:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Government-Wide</u>
Net Assets September 30, 2006, As originally presented	\$ 60,544,770	989,611	61,534,381
Additional capital assets which should have been included with GASB 34 implementation	-	520,540	520,540
Revenues recorded in prior periods were actually attributable to the current period	<u>(3,223,715)</u>	<u>-</u>	<u>(3,223,715)</u>
Total Prior Period Adjustments	<u>(3,223,715)</u>	<u>520,540</u>	<u>(2,703,175)</u>
Restated Fund Balance, September 20, 2006	<u>\$ 57,321,055</u>	<u>1,510,151</u>	<u>58,831,206</u>

Governmental Funds Financial Statements:

	<u>General</u>	<u>Roads</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances, September 30, 2006, As originally presented	\$17,121,248	7,982,316	18,945,314	44,048,878
Revenues recorded in prior periods were actually attributable to the current period	<u>(4,828,644)</u>	<u>(352,858)</u>	<u>(860,384)</u>	<u>(6,041,886)</u>
Restated Fund Balance, September 30, 2006	<u>\$12,292,604</u>	<u>7,629,458</u>	<u>18,084,930</u>	<u>38,006,992</u>

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

JACKSON COUNTY, MISSISSIPPI
 Budgetary Comparison Schedule -Budget and Actual (Non-GAAP Basis)
 General Fund
 September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance From Final Budget - Favorable/ (Unfavorable)</u>
REVENUES				
Property taxes	\$ 374,000	27,357,786	31,257,938	3,900,152
Licenses, commissions and other revenue	2,279,436	2,722,136	2,723,664	1,528
Fines and forfeitures	1,014,437	1,358,156	1,440,645	82,489
Intergovernmental revenues	6,626,675	6,833,851	7,015,242	181,391
Charges for services	179,000	427,438	489,241	61,803
Interest income	312,000	858,431	656,096	(202,335)
Miscellaneous revenues	1,235,584	1,032,865	1,370,632	337,767
Total revenues	<u>12,021,132</u>	<u>40,590,663</u>	<u>44,953,458</u>	<u>4,362,795</u>
EXPENDITURES				
Current Operating:				
General government	20,760,362	20,031,920	25,607,165	(5,575,245)
Public safety	13,349,407	13,110,858	6,747,812	6,363,046
Public works	2,559,534	1,404,905	1,374,567	30,338
Health and welfare	2,409,208	2,250,138	2,293,364	(43,226)
Culture and recreation	2,637,420	2,468,823	2,482,877	(14,054)
Education	867,375	868,569	872,137	(3,568)
Conservation of natural resources	332,599	275,565	265,989	9,576
Economic development and assistance	1,415,915	1,344,214	1,368,428	(24,214)
Debt Service:				
Principal	8,024	7,466	7,466	-
Interest	-	279	279	-
Total expenditures	<u>44,339,844</u>	<u>41,762,737</u>	<u>41,020,084</u>	<u>742,653</u>
OTHER FINANCING SOURCES (USES)				
Long-term non-capital debt issued	-	4,856,746	3,500,000	(1,356,746)
Proceeds from sale of assets	-	-	26,446	26,446
Compensation for loss of capital assets	-	-	5,080	5,080
Transfers in	-	-	1,025,220	1,025,220
Transfers out	-	(5,382,799)	(2,615,601)	2,767,198
Net other financing sources (uses)	<u>-</u>	<u>(526,053)</u>	<u>1,941,145</u>	<u>2,467,198</u>
Net change in fund balances	<u>\$ (32,318,712)</u>	<u>(1,698,127)</u>	<u>5,874,519</u>	<u>7,572,646</u>

JACKSON COUNTY, MISSISSIPPI
 Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)
 Road Fund
 Year Ended September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance From Final Budget - Favorable/ (Unfavorable)</u>
REVENUES				
Property taxes	\$ -	8,098,796	8,304,829	206,033
Road and bridge privilege taxes	1,600,000	1,775,982	1,766,068	(9,914)
Intergovernmental revenues	3,512,784	2,685,191	2,709,673	24,482
Interest income	-	245,192	-	(245,192)
Miscellaneous revenues	-	223,726	381,996	158,270
Total revenues	<u>5,112,784</u>	<u>13,028,887</u>	<u>13,162,566</u>	<u>133,679</u>
EXPENDITURES				
Current Operating:				
Public works	<u>18,389,857</u>	<u>15,364,695</u>	<u>15,900,542</u>	<u>(535,847)</u>
Total expenditures	<u>18,389,857</u>	<u>15,364,695</u>	<u>15,900,542</u>	<u>(535,847)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>2,050,000</u>	<u>2,386,273</u>	<u>2,228,003</u>	<u>(158,270)</u>
Net other financing sources (uses)	<u>2,050,000</u>	<u>2,386,273</u>	<u>2,228,003</u>	<u>(158,270)</u>
Net change in fund balances	<u>\$ (11,227,073)</u>	<u>50,465</u>	<u>(509,973)</u>	<u>(560,438)</u>

JACKSON COUNTY, MISSISSIPPI
Notes to Required Supplementary Information
September 30, 2007

(A) Budgetary Information

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County prepares an original budget for each of the Governmental Funds for the fiscal year using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff, the Tax Assessor, and the Tax Collector for his or her respective department. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The County's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

(B) Basis of Presentation

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (non GAAP) basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major special revenue fund.

(C) Budget/GAAP Reconciliation

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major special revenue fund:

	General	Roads
Net change in fund balances (Budget/Cash basis) \$	5,874,519	(509,973)
Increase (decrease):		
Net adjustment for revenue accruals	1,078,339	11,557
Net adjustment for expenditure accruals	(426,625)	(78,727)
Net change in fund balances (GAAP Basis) \$	6,526,233	(577,143)

JACKSON COUNTY, MISSISSIPPI
Notes to Required Supplementary Information
September 30, 2007

(D) Excess of Actual Expenditures Over Budget in Individual Funds

The following funds reported expenditures in excess of final budget amounts.

<u>Fund</u>	<u>Final Budget</u>	<u>Actual</u> <u>(Budgetary Basis)</u>	<u>Variance</u>
Road	15,364,695	15,900,542	(535,847)

SUPPLEMENTAL INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JACKSON COUNTY, MISSISSIPPI
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2007

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
MAJOR FEDERAL AWARDS			
U.S. Department of Justice - Office of Justice Programs - Passed Through the Mississippi Department of Public Safety: Edward Byrne Memorial Justice Assistance Grant Program	16.738	2006-DH-BX-0438	\$ 940,246
Subtotal U.S. Department of Justice			<u>940,246</u>
Department of Homeland Security - Federal Emergency Management Agency - Passed Through the Mississippi Emergency Management Agency: Community Disaster Loan	97.030		3,500,000
Disaster Grants - Public Assistance	97.036	FEMA-1604-DR-MS	15,057,181
Hazard Mitigation	97.039	HMGP-1251-037	913,153
Subtotal Department of Homeland Security			<u>19,470,334</u>
Total Expenditures of Major Federal Awards			<u>20,410,580</u>
OTHER FEDERAL AWARDS			
U.S. Department of Agriculture - Passed Through the Mississippi Department of Education: School Breakfast Program/National School Lunch Program	10.553/10.555	12-35-2833	27,416
Total U.S. Department of Agriculture			<u>27,416</u>
U.S. Department of Commerce - National Oceanic and Atmospheric Administration - Passed Through Mississippi Department of Environmental Quality - Economic Development Support for Planning Organizations	11.302	0401-05469	170,000
Coastal Zone Management Administration Awards	11.419	NA170Z2170	412,703
Total U.S. Department of Commerce			<u>582,703</u>
U.S. Department of Housing and Urban Development: Community Development Block Grant/State's Program	14.228	1119-02-030-PF-01	38,789
U.S. Department of Justice - Office of Justice Programs - Passed Through the Mississippi Department of Public Safety: Juvenile Accountability Block Grant	16.523	2JB1301	8,204
HIDTA	16.592		14,259
OCDETF	16.592		9,796
Public Safety Partnership and Community Policing Grants	16.710	2006CKWX0458	392,898
Enforcing Underage Drinking Laws Programs	16.727	4UA1301	1,063
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005-DJ-BX-1438	67,926
Subtotal U.S. Department of Justice			<u>494,146</u>
U.S. Department of Transportation - Federal Aviation Administration Airport Improvement Program	20.106	3-28-0101-018-2004	104,244
Airport Improvement program	20.106	3-28-0101-020-2006	282,890
Total U.S. Department of Transportation			<u>387,134</u>
U.S. Department of Transportation - Federal Highway Administration - Passed Through the Mississippi Department of Transportation: Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	06TA130-1	1,142

JACKSON COUNTY, MISSISSIPPI
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2007
(continued)

Department of Homeland Security - Federal Emergency Management			
Agency - Passed Through the Mississippi Emergency Management Agency:			
State Domestic Preparedness Equipment Support Program	97.004	3SSG-3022	99,649
State Domestic Preparedness Equipment Support Program	97.004	3SSGEX-005	139,490
Buffer Zone Protection Program	97.078		99,531
Emergency Management Performance Grants	97.042	EMAP 2006	13,927
State Homeland Security Program	97.073	04HSO30	57,972
Law Enforcement Terrorism Prevention Program	97.074	05LEO30	71,874
Total Federal Emergency Management Agency			<u>482,443</u>
Total expenditures of federal awards			<u>\$ 22,424,353</u>

See accompanying notes to Schedule of Expenditures of Federal Awards

JACKSON COUNTY, MISSISSIPPI
Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2007

(1) **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal awards activity of Jackson County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(2) **Subrecipients**

The County provided no federal awards to subrecipients for the fiscal year ended September 30, 2007.

(3) **Community Disaster Loan Program**

The County borrowed \$7,000,000 in FY 2006 and \$3,500,000 in FY 2007, under the FEMA Community Disaster Loan Program. The loan bears interest at 2.69% and is due in December 2010.

SPECIAL REPORTS



Wolfe • McDuff & Oppie

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Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Primary Government Financial Statements Performed in Accordance With *Government Auditing Standards*

Members of the Board of Supervisors
Jackson County, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jackson County, Mississippi, as of and for the year ended September 30, 2007, which collectively comprise the county's basic financial statements and have issued our report thereon dated January 5, 2009. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the reporting entity that include the financial data for its component units.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jackson County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jackson County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Jackson County's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects Jackson County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Jackson County's financial statements that is more than inconsequential will not be prevented or detected by Jackson County's internal control. We consider the deficiencies described in findings 9/2007 - 1, 9/2007 - 2 and 9/2007 - 3, located in the accompanying Schedule of Findings and Questioned Costs, to be significant deficiencies in internal control over financial reporting.

Membership in:

American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants • AICPA Private Companies Practice Section
AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center



America Counts on CPAs

Report on Compliance and on Internal Control over Financial Reporting
Based on an Audit of Primary Government Financial Statements
Performed in Accordance With *Government Auditing Standards*
Page 2

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Jackson County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider item 9/2007 - 1, 9/2007 - 2 and 9/2007 - 3 to be material weaknesses.

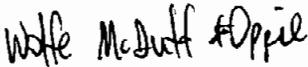
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jackson County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted several immaterial matters that are opportunities for strengthening internal control and operating efficiency which we reported to management of Jackson County, Mississippi, in a separate letter dated January 5, 2009. This letter includes a Schedule of Auditor's Comments and Recommendations.

Jackson County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Jackson County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Board of Supervisors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Pascagoula, Mississippi
January 5, 2009



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**Independent Auditor's Report on Compliance With Requirements
Applicable to Each Major Program and on Internal Control
Over Compliance in Accordance With OMB Circular A-133**

Members of the Board of Supervisors
Jackson County, Mississippi

Compliance

We have audited the compliance of Jackson County, Mississippi with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. Jackson County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Jackson County's management. Our responsibility is to express an opinion on Jackson County's compliance based on our audit.

Except as discussed in the following paragraph, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jackson County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Jackson County's compliance with those requirements.

We were not able to obtain sufficient documentation supporting the compliance of Jackson County with Department of Homeland Security requirements regarding the Public Assistance Grant and the Community Disaster Loan, nor were we able to satisfy ourselves as to Jackson County's compliance with those requirements by other auditing procedures. Please refer to findings 9/2007 - 4 and 9/2007 - 5 located in the accompanying Schedule of Findings and Questioned Costs for more information.

Membership in:

American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants • AICPA Private Companies Practice Section
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Report on Compliance with Requirements Applicable to Each Major
Program and on Internal Control Over Compliance in Accordance
With OMB Circular A-133
Page 2

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding Jackson County's compliance with the requirements of the Department of Homeland Security regarding the Public Assistance Grant and Community Disaster Loan, Jackson County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

Internal Control Over Compliance

The management of Jackson County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Jackson County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Jackson County's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purposes described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified deficiencies in internal control over compliance that we consider to be control deficiencies.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as finding 9/2007 - 4 and 9/2007 - 5 to be control deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Jackson County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Jackson County's response and, accordingly, we express no opinion on it.

This report is intended for the information of management, Board of Supervisors, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Wolfe McDuff Oppie

Pascagoula, Mississippi
January 5, 2009



Wolfe • McDuff & Oppie
CERTIFIED PUBLIC ACCOUNTANTS
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**Independent Auditor's Report
on Central Purchasing System, Inventory
Control System and Purchase Clerk Schedules
(Required By Section 31-7-115, Miss. Code Ann. (1972))**

Members of the Board of Supervisors
Jackson County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Jackson County, Mississippi, as of and for the year ended September 30, 2007. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

The Board of Supervisors of Jackson County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). The Board of Supervisors of Jackson County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Jackson County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory, and bid requirements. The accompanying schedules of (1) purchases not made from the lowest bidder, (2) emergency purchases and (3) purchases made noncompetitively from a sole source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned study and evaluation of the purchasing system and, in our opinion, is fairly presented when considered in relation to that study and evaluation.

This report is intended for use in evaluating the central purchasing system and inventory control system of Jackson County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Wolfe McDuff & Oppie
Pascagoula, Mississippi
January 5, 2009

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**Independent Auditor's Report on Compliance
With Mississippi State Laws and Regulations**

Members of the Board of Supervisors
Jackson County, Mississippi

We have audited the accompanying financial statements of Jackson County, Mississippi as of and for the year ended September 30, 2007, and have issued our report dated January 5, 2009. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the basic financial statements disclosed the following material instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are as follows:

Finding

The Road Fund expenditures exceed the final budgeted amount. The final amended budget was \$15,364,695 and the actual (budgetary basis) expenditures were \$15,900,542, resulting in an unfavorable variance of \$535,847.

Recommendation

We recommend final amended budgets include all expenditures for the fiscal year.

Management's Response

Budgets are amended on the cash basis. The final amended budget was prepared on the cash basis and the Road Fund expenditures did not exceed the actual cash basis budget.

This report is intended for the information of the County's management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Wolfe McDuff & Oppie
Pascagoula, Mississippi
January 5, 2009

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JACKSON COUNTY, MISSISSIPPI
Schedule of Purchases Not Made From the Lowest Bidder
September 30, 2007

Schedule 1

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reasons for Accepting Other Than the Lowest Bid</u>
04/24/07	Excavator	\$ 115,749	Daily Equip	114,715	Did not meet specification - missing engine displacement

JACKSON COUNTY, MISSISSIPPI

Schedule of Emergency Purchases

September 30, 2007

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reasons for Emergency Purchase</u>
12/11/06	Air conditioner	\$ 14,000	Air services	Emergency for exceptional school - heating unit broke
02/21/07	Kitchen equip	12,065	Aramark	Emergency for ADC kitchen
06/11/07	Air conditioner	7,815	Trane Co	Emergency for ADC

JACKSON COUNTY, MISSISSIPPI
Schedule of Purchases Made
Noncompetitively from a Sole Source
September 30, 2007

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Vendor</u>	<u>Amount</u>
12/20/06	Laser	Laser devices	\$ 11,388
01/02/07	Undercover equip	ATS	35,464
02/06/07	Tasers	Barneys	32,414
02/07/07	Camera	Enforcement video	12,090
03/06/07	Ventilator	Cowman & Assoc	18,131
06/06/07	Night goggles	Sensor Tech	32,200
08/08/07	Chiller	Johnson Controls	16,996

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JACKSON COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
September 30, 2007

A. SUMMARY OF AUDIT RESULTS

1. In our report, our opinion on the basic financial statements was unqualified. Our opinion on aggregate discretely presented component units was adverse.
2. There were three significant deficiencies relating to the audit of the financial statements reported in the Report on Compliance and Internal Control Over Financial Reporting. These significant deficiencies are reported as material weaknesses.
3. There were no instances of noncompliance material to the financial statements of Jackson County which were disclosed during the audit.
4. There were two control deficiencies relating to the audit of major federal award programs that are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance. The control deficiencies are not reported as significant deficiencies or material weaknesses.
5. The auditor's report on compliance for major federal award programs for Jackson County expresses a qualified opinion.
6. There are two audit findings relative to the major federal award programs for Jackson County that is reported in Part C of this schedule.
7. The major programs tested were:

Department of Homeland Security - Public Assistance Grants - CFDA No. 97.036
Department of Homeland Security - Community Disaster Loans - CFDA No. 97.030
Department of Homeland Security - Hazard Mitigation Grant - CFDA No. 97.039
Department of Justice - Byrne Memorial Justice Assistance - CFDA No. 16.738
8. Type of auditor's report issued on compliance for major federal programs:

▪ Community Disaster Loan - CFDA No. 97.030	Qualified
▪ Public Assistance Grants - CFDA No. 97.036	Qualified
▪ Hazard Mitigation Grant - CFDA No. 97.039	Unqualified
▪ Byrne Memorial Justice - CFDA No. 16.738	Unqualified
9. The dollar threshold for distinguishing Type A and B programs was \$672,731.
10. Jackson County was not determined to be a low-risk auditee.
11. Auditee has findings reported as required by Circular A-133.
12. Auditee was required under Circular A-133 to prepare a summary schedule of prior audit findings.

JACKSON COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
September 30, 2007

B. FINDINGS - FINANCIAL STATEMENT AUDIT

9/2007 - 1

Finding

During a search for unrecorded liabilities, we discovered an invoice in the amount of \$1,155,380 which should have been charged to the fiscal year ended September 30, 2007. Under Generally Accepted Accounting Principles (GAAP), governmental funds are accounted for using the modified accrual basis. As such, the subject expenditure should have been recorded as a payable at year end and charged as an expense during the fiscal year ended September 30, 2007. We believe that upon review, management should have recognized an expenditure of this size as being charged to the wrong period.

Recommendation

We recommend management be more diligent in recording County transactions in the proper period, especially at the end of a fiscal year. Management should also consider the feasibility of implementing an internal audit function, which could significantly enhance internal controls.

Auditee Response

Per Mississippi Code Section 19-11-25, Counties are tasked with preparing a CASH basis budget and as such budgets are prepared for the period in which the invoices are paid. The county budget was amended in the fiscal year that this invoice was paid.

9/2007 - 2

Finding

Under generally accepted accounting principles (GAAP) the financial data for all legally separate component units is required to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The financial statements do not include financial data for the county's legally separate component units. An adverse opinion is rendered on aggregate discretely component units due to the failure of the county to properly follow GAAP.

Recommendation

We recommend management provide financial data on the county's component units for inclusion in the county's financial statements.

Auditee Response

We are working on including in the 2008 financial statements.

JACKSON COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
September 30, 2007

9/2007 - 3

Finding

Management does not have personnel that possess necessary qualifications and training to prepare financial statements in accordance with generally accepted accounting principles. Due to the fact that county personnel lacked the skills and knowledge to apply GAAP in recording the entity's financial transactions and preparing its financial statements, the auditor was relied on to perform these duties. Without adequate controls in place over the recording and reporting of financial records, the risk increases that inaccurate information may be reported and increases the possibility of the loss or misappropriation of public funds.

Recommendation

We recommend management establish adequate controls to ensure that financial data is recorded and presented in accordance with GAAP.

Auditee Response

Although the County does have the personnel that do possess the necessary qualifications and training necessary to prepare financial statements, the efforts made on the County's behalf to prepare the financial statements per audit department guidelines, were already commented on previously by the auditors.

JACKSON COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
September 30, 2007

C. FINDINGS - FEDERAL AWARDS

Questioned
Costs

DEPARTMENT OF HOMELAND SECURITY

Community Disaster Loan - CFDA No. 97.030

9/2007 - 4

\$ - 0 -

Condition and Criteria: During our audit, we found that the Community Disaster Loan expenditures were not being tracked separately. The proceeds were credited into the general fund and the expenditures were not distinguishable from other general fund expenditures. Management was later able to identify the expenditures so they could be tested.

Effect: If federal expenditures can not be identified, Single Audit testing can not be performed.

Cause: The expenditures were not tracked in a separate fund.

Population and Items Tested: \$104,347 of \$3,500,000 of expenditures were tested.

Auditor's Recommendation: We recommend the County trace the proceeds of the CDL to specific expenditures and retain the documentation so that testing can occur. In the future, all expenditures, associated with Federal Grant Awards should be tracked in a separate fund to facilitate required Single Audit testing.

Grantee Response: This Loan was awarded for general operating expense and as such was placed in the general fund. The auditors were provided with the docket of claims immediately following the receipt of the CDL which they could have tested as that is what the CDL proceeds were used for and what they were designed to be used for and what they legally could have been spent on.

JACKSON COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
September 30, 2007

C. FINDINGS – FEDERAL AWARDS (continued)

Questioned
Costs

DEPARTMENT OF HOMELAND SECURITY

Public Assistance Grant – CFDA No. 97.036

9/2007 – 5

\$ - 0 -

Condition and Criteria: During our audit, we found the revenues and expenditures were difficult to track. The County does maintain a separate fund for this grant, however, we found that not all revenues and expenditures are put into this one funds. We found through inquiry that the revenues and expenditures were put into numerous funds and departments.

Effect: If federal expenditures can not be identified, Single Audit testing can not be performed.

Cause: All of the expenditures were not tracked in a separate fund.

Population and Items Tested: Expenditures in Fund 046 – Hurricane Katrina were tested.

Auditor's Recommendation: We recommend that all revenues and expenditures relating to this grant be placed into Fund 046 which is designated as the Katrina Fund. We also recommend that proper documentation be maintained regarding this and other grants.

Grantee Response: There is a separate fund set up for this grant which could have been tested.

Total – Department of Homeland Security

\$ - 0 -

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JACKSON COUNTY, MISSISSIPPI

Schedule of Prior Audit Findings

September 30, 2007

**05-2 Finding - Hazard Mitigation
97.029 - Department of Homeland Security**

In September 2005, the County bought seven houses located in flood-prone areas from homeowners under the Flood Mitigation Assistance grant program. A signed statement of voluntary participation is required to be obtained from each homeowner participating in this program. The required signed statements were not found for five of the seven homeowners participating in this program.

Questioned Cost

There is no questioned cost associated with this finding.

Recommendation

If the County is unable to locate the signed statements, it should request the homeowners to sign new statements.

Due to the large number of federal grants the County receives, we believe the County should consider hiring a grant coordinator to, among other things, monitor compliance with grant provisions.

Follow-Up

Auditors were able to view the signed statements of voluntary participation. The County has not been reimbursed for a majority of its expenditures under this grant.

Response

The County was reimbursed for the 2005 grant in March 2007 and is anticipating reimbursement on the 2007 grant very soon as paperwork has been signed and submitted as of this date.

CORRECTIVE ACTION PLAN



TERRY MILLER
CHANCERY CLERK

Jackson County, Mississippi
POST OFFICE BOX 998
PASCAGOULA, MISSISSIPPI 39568-0998

CHANCERY COURT DEPARTMENT
3104 Magnolia Avenue
Pascagoula, MS 39567
Telephone: 228-769-3124
Facsimile: 228-769-3397

LAND RECORDS DEPARTMENT
2902 Shortcut Road
Pascagoula, MS 39567
Telephone: 228-769-3131
Facsimile: 228-769-3135

GENERAL INFORMATION
228-769-3131
www.co.jackson.ms.us

SUSAN LASSERRE
Chief Deputy Clerk
Direct Line 228-769-1680
FACSIMILE 228-769-3414

501 North West Street, Suite 801
Jackson, MS 39201

Re: Corrective Action Plan, Jackson County, Mississippi for 2007

Gentlemen:

The corrective action plan is for the following:

9/2007 - 1

Per Mississippi Code Section 19-11-25 Counties are tasked with preparing a CASH basis budget and as such budgets are prepared for the period in which the invoices are paid. The county budget was amended in the fiscal year that this invoice was paid.

9/2007 - 2

We are working on including in the 2008 financial statements.

9/2007 - 3

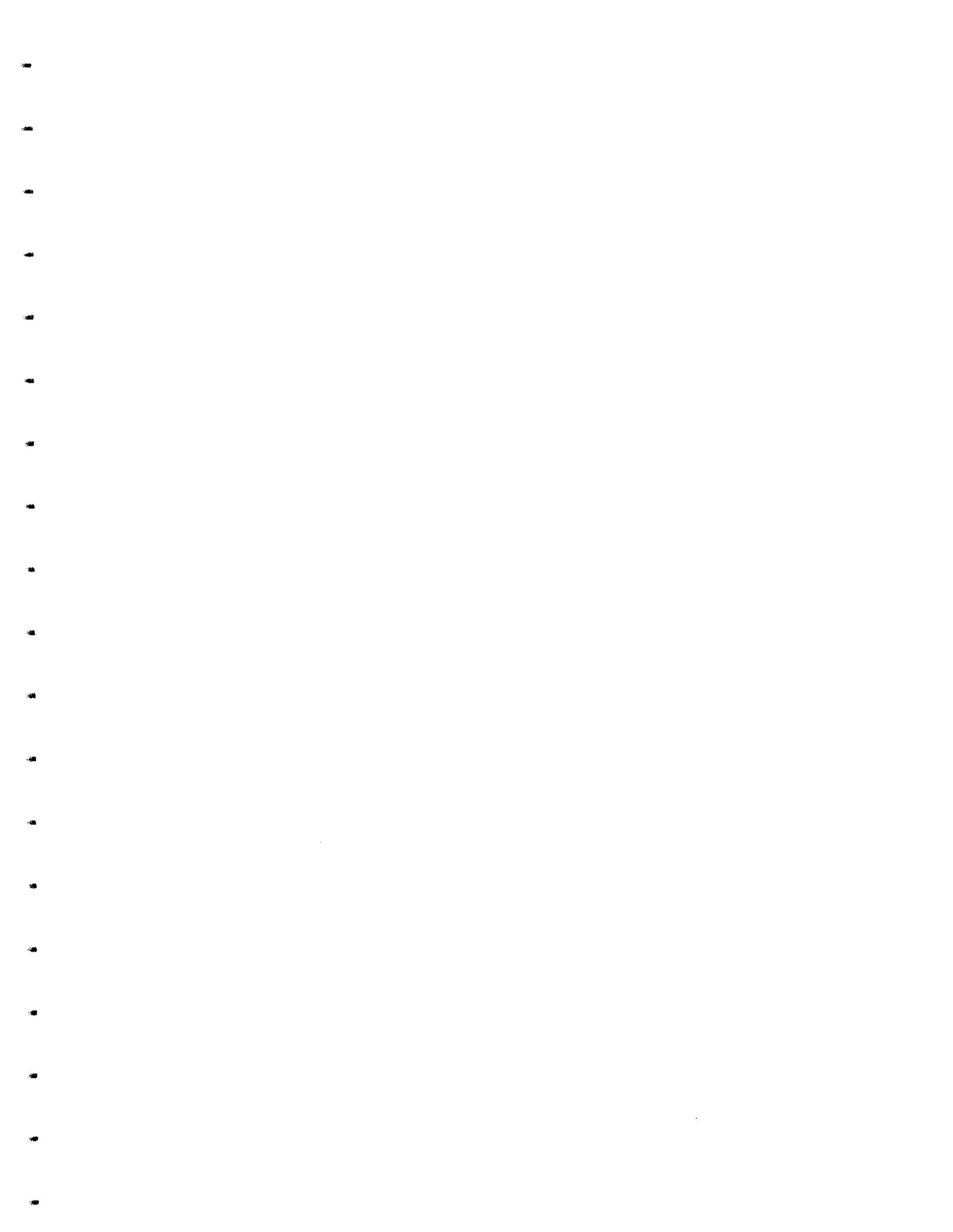
Although the County does have the personnel that do possess the necessary qualifications and training necessary to prepare financial statements, the efforts made on the County's behalf to prepare the financial statements per audit department guidelines, were already commented on previously by the auditors.

9/2007 - 4

This loan was awarded for general operating expenses and as such was placed in the general fund. The auditors were provided with the docket of claims immediately following the receipt of the CDL which they could have tested as that is what the CDL proceeds were used for and what they were designed to be used for and what they legally could have been spent on.

9/2007 - 5

There is a separate fund set up for this grant which could have been tested.





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Board of Supervisors
Jackson County, Mississippi
Post Office Box 998
Pascagoula, Mississippi 39568

In planning and performing our audit of the financial statements of Jackson County, Mississippi for the year ended September 30, 2007, we considered the Organization's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated January 5, 2009 on the financial statements of Jackson County, Mississippi.

We will review the status of these comments during our next audit engagement. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing these recommendations.

January 5, 2009
Pascagoula, Mississippi

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JACKSON COUNTY, MISSISSIPPI
SCHEDULE OF MANAGEMENT COMMENTS
For the Year Ended September 30, 2007

I. ACCRUAL-BASED ACCOUNTING

AUDITOR'S COMMENTS: During our audit, we noticed the County does not maintain its books on the accrual basis of accounting, as required by generally accepted accounting principles (GAAP) and the MS State Auditor's Office. According to *Mississippi County Financial Accounting Manual*, issued by the State Auditor's Office, it is permissible for the County to keep its books on the cash basis throughout the year, but the books are to be converted to the accrual basis at the end of the fiscal year in order to prepare annual financial statements in conformity with GAAP.

We understand the Finance Director made a backup copy of the general ledger as of September 30, 2007, and attempted to make the conversion to accrual on the backup copy, while leaving the actual general ledger intact and on the cash basis. Making the accrual conversion on a backup copy, in effect, creates a second set of books. It appeared to us the existence of this "accrual version" general ledger was known only by the Finance Director. We believe the inherent risk in having a second set of books far outweighs any perceived benefits of posting the accrual entries on a backup version of the general ledger. Having a second general ledger which is only accessible by a select few employees increases the risk of errors and omissions as well as fraud and defalcations, and would require reconciliation between the two. Also, the financial information reported to the County's upper management, as well as the governing Board, grantor and other oversight authorities, could be considered unreliable.

AUDITOR'S RECOMMENDATIONS: We recommend the County immediately discontinue the practice of posting journal entries to backup copies of the general ledger. Backup copies should be used for archival purposes only. If management chooses to keep its books on the cash basis throughout the year, adjusting journal entries converting to the accrual method should be posted to the general ledger effective the final day of the fiscal year. On the first day of the subsequent fiscal year, reversing entries can be made which effectively bring the books back to the cash method. We believe the practice of adjusting and reversing will satisfy the requirements of GAAP without subjecting the County to undue risks of inadequate internal controls.

MANAGEMENT'S RESPONSE:

Per State Auditor's Office guidelines a second database was prepared in the modified accrual basis per GAAP. All other counties in the state of MS who prepare financial statements on the Delta computer system accomplish that task in the same manner as Jackson County. All auditors who have prepared Jackson County financial statements in previous years have used a second "set of books" by preparing the financial statements in another program. As did this audit firm also. The auditors were given free access to the second database and could have tested it back to the cash basis database if they chose to do so. This "accrual version" general ledger could not have been known

only to the Finance Director when it was accessible by the auditors and several employees of Jackson County Finance Department.

II. GRANTS

A. Grant Expenditures

AUDITOR'S COMMENT: During our audit of grants, we found it challenging to determine grant expenditures per Fund. Even though individual Funds may be used sometimes expenditures may be spread among several funds. Some of the Funds contained multiple grants within one Fund, which made it difficult to match expenditures to the proper grant.

AUDITOR'S RECOMMENDATION: We recommend that all grants be maintained on a spreadsheet reflecting at a minimum: the award amount, grant period, CFDA number, grant number, and funds received and expenses incurred. We also recommend that grant expenditures be recorded in the appropriate Funds with supporting documentation (i.e. invoices and reimbursement requests).

MANAGEMENT'S RESPONSE: The County hired a grant coordinator in October 2007 who is presently working on the spreadsheet recommended. All grants that were in funds were identified by a separate department number specifically for that grant.

B. Grant Coordinator

AUDITOR'S COMMENT: We found that grants are handled by multiple individuals in various departments in addition to their required daily tasks. We were told several times when requesting grant agreements, reimbursement requests, bid files, etc. that some other individual would have the information only to find ourselves being redirected back to the original individual. We heard conflicting information regarding whether particular grants were still active or closed.

AUDITOR'S RECOMMENDATION: We recommend that all grants be moved to a central location with a team of individuals managing them. We recommend that this team keep a copy of all grant agreements, expenditures, and invoices. This team should also maintain the above recommended grant spreadsheet, make timely reimbursement requests and ensure that Jackson County is abiding by the terms of the grant agreements.

MANAGEMENT'S RESPONSE:

We concur with this finding and are making efforts to correct this problem at the present time.

JACKSON COUNTY, MISSISSIPPI
SCHEDULE OF MANAGEMENT COMMENTS
For the Year Ended September 30, 2007

III. FIXED ASSETS

AUDITOR'S COMMENT: During our audit of fixed assets, we found the County does not maintain fixed asset schedules which include infrastructure, buildings, or land.

AUDITOR'S RECOMMENDATION: We recommend infrastructure, buildings and land be added to fixed asset schedules. Further, the fixed asset schedules should be reconciled to the physical count, which is performed at least annually.

MANAGEMENT'S RESPONSE:

When an attempt was made in fiscal year 2004 to bring infrastructure, buildings and land onto our fixed asset schedules in the Delta system, the former auditors told the County that they preferred to keep that on an excel spreadsheet. Those files have been maintained since then by the auditors in that spreadsheet. The County had updated those schedules in fiscal year 2007 prior to the auditors field work.

IV. SHERIFF'S RESERVES

AUDITOR'S COMMENTS: During our review of operations at the Sheriff's Office, we became aware of the Jackson County Sheriff's Reserve, a loosely-organized not-for-profit association which also includes the Jackson County Sheriff's Flotilla under its auspices. This organization is not a legal component of the County, and therefore, its activities are beyond the scope of our audit. However, we understand a small portion of the County's millage is provided to support its operations, and even though the organization uses some of the County's assets (e.g. vehicles and fuel) to fulfill its mission, as well as uses the County's name in its fundraising efforts, the County has no direct oversight over this organization.

AUDITOR'S RECOMMENDATIONS: We recommend the County initiate an oversight role over the Sheriff's Reserve in order to ensure the County's name and resources are being used in an appropriate manner. We suggest the Sheriff's Reserve provide financial statements to the County Finance Department on a regular basis which include at a minimum a balance sheet and statement of activities for the period. Statistics on how the organization is supporting the Sheriff's Office (e.g. number of man-hours served, number of cases worked, etc.) would also be helpful in assessing the organization's stewardship.

MANAGEMENT'S RESPONSE:

The Jackson County Sheriff's Department has 3 volunteer organizations consisting of the Reserves, Mounted Patrol, and Flotilla, which assist the department in many functions that the regular department at times is not staffed to handle. Contrary to the findings of the auditor, these organizations are not a "loosely-organized" group, and the Flotilla is not a part of the Reserves, but a separate volunteer organization identified by fund number 001-211 with an annual budget of \$ 4,200. The Flotilla provides search and rescue functions involving searching for lost children and the elderly, missing boaters, etc. oftentimes using their personal ATV's, watercraft, and four wheel-drive vehicles. When they are called in to assist, they often stay on-site until the situation is resolved. Some of the functions of the Reserve and Mounted Patrol are to assist patrol in answering calls for service, traffic details, homeland security details, security at the county fair, providing security at shelters during natural disasters and special events during holidays. The Reserves and Mounted Patrol units are budgeted through the Board of Supervisors fund identified as 001-201. For the last several years this amount has been \$18,000, which is divided equally between the mounted and regular reserve units. All funds in the budget are expended according to state finance and purchasing laws with capital equipment placed into the county inventory control with proper identification stickers. All other purchases such as vehicle repairs are invoiced after requisition and purchase orders are obtained.

These organizations operate under a chain of command similar to the Sheriff's Department. Many are certified under state minimum standards guidelines. The Reserves and Mounted Patrols have a Chief with a downward command structure. The Chief of these units reports directly to the Sheriff. They have regularly scheduled meetings and training, which is held at their facility located at the Jackson County Fair grounds. Many of these Sheriff's Reserve Officers are local businessmen, doctors, lawyers, previous or retired law enforcement officers, as well as, retired educators. They have their own training officers who have some of the best training available. Some of the Mounted Patrol Officers utilize their own horses, ATV's, watercraft, airplanes, and other equipment during activation.

The Sheriff Reserves and Mounted Patrol also provide security and traffic enforcement for Chevron's Pascagoula Refinery to strengthen homeland security efforts and traffic enforcement to curtail speeding vehicles which have posed a special problem in the past due to accidents at the intersections of Old Mobile Highway and Orchard Road. The Sheriff's Department frequently receives calls about the red lighted intersection at Industrial and Orchard Roads with vehicles running red lights when fuel tankers have the right of way. All three organizations provide an invaluable service to the community that we simply could not afford to do without.

V. CASH

AUDITOR'S COMMENT: During our audit of cash, we noticed that cash was not easily reconciled. Multiple general ledger accounts are grouped into one lump sum.

AUDITOR'S RECOMMENDATION: We recommend that the procedures for reconciling cash that were in effect during fiscal year 2007 be changed to a method that allows quicker detection if a problem occurs. We understand changes have already been made in this area.

MANAGEMENT'S RESPONSE:

The Finance Supervisor brought this to the auditors' attention at the beginning of the audit and explained that the problem had been taken care of in December 2007, when she replaced the previous Finance Supervisor.

VI. DEPARTMENTAL ACCOUNTING

AUDITOR'S COMMENT: During our review of individual departments, we attempted to reconcile funds turned into the Finance Department to the general ledger. We were told by the Ocean Springs Harbor that they do not receive a receipt from the Finance Department when turning in money and other departments admitted that they did receive receipts, but didn't keep them.

AUDITOR'S RECOMMENDATION: We recommend that all departments receive a signed receipt when turning in funds to the Finance Department. We also recommend that the departments keep a record of what is turned in to the Finance Department. Implementing these procedures will ensure quick resolution if a conflict arises regarding the receipt of funds.

MANAGEMENT'S RESPONSE:

We have always given a receipt to whoever asks for one. Ocean Springs Harbor had never asked for a receipt, but just left the money. Now we ask them to wait until the money is counted and give them a receipt..

VII. PERMANENT FILES

AUDITOR'S COMMENT: During our audit, we discovered that the County does not maintain files of some of its permanent records. When requesting items such as debt agreements and bond covenants, we were told the previous auditor had the originals. When requesting grant agreements and invoices, we were told MEMA and FEMA had the originals.

AUDITOR'S RECOMMENDATION: We recommend Jackson County always retain original documentation and only provide copies to auditors when requested.

MANAGEMENT'S RESPONSE:

Many of our records were lost in Hurricane Katrina. We suggested that the auditor's consult the previous auditors permanent records files because we could not locate some of our originals, not because the previous auditors had the original documents. We also never said that MEMA or FEMA had original documents, only that they had copies. We maintain all original invoices in the Finance Department.